

PRICE THREEPENCE.

THE
ABC OF FREE TRADE.

BY
EDWARD NORTH BUXTON.

REVISED EDITION, 1903.



CASSELL AND COMPANY, LIMITED:

LONDON, PARIS, NEW YORK & MELBOURNE.

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“Protection very likely might, it probably would, have this result—it would increase the incomes of the owners of great estates, and it would swell the profits of capitalists who were fortunate enough to engage in the best protected industries. But it would lessen the total production of the country, it would diminish the rate of wages, and it would raise the prices of every necessary of life.”

J. CHAMBERLAIN (1885).

“If you are to give the Colonies a preference you must put a tax on food.”

J. CHAMBERLAIN (1903).

“A system of preferential tariffs is the only system by which this Empire can be kept together.”

J. CHAMBERLAIN (1903).

PREFACE, 1903.

THE Cabinet have invited the nation to a "grand inquest" into our past fiscal policy, but Mr. Chamberlain has opened his campaign against that policy. Hence it is incumbent on Free Traders, while preserving a judicial mind towards new facts, to examine their weapons. They have no reason to dread an impartial inquiry.

Thirty years after Free Trade was established in the United Kingdom, and soon after the great continental war, and the depression which followed it, there was a revival of the Protectionist idea under the name of "Fair Trade." This little pamphlet was an attempt, at that time, to state for the benefit of a new generation, which had no experience of the past controversy, the principles which underlie our fiscal policy. Now, after the lapse of a similar cycle, and again following the disturbance of a great war, the same fallacies, as I think them, reappear under the patronage of a distinguished statesman,

searching for means to cement the union between the Colonies and the Mother Country, but who has perhaps imperfectly weighed the economic questions involved.

I have reason to believe that on its first appearance this primer was useful to some inquirers. I have, therefore, revised it, by bringing the figures up to date, but I have not seen reason to vary the argument, which is founded on fixed laws. It is still true, as then, that trade is a *mutual* benefit, and the barriers to it a double injury: that we buy goods from others not to please them but to benefit ourselves, the resulting trade being in its nature an exchange of goods; that we cannot sell to others without buying at some time or other from them, and finally that the main source of our great prosperity lies in the fact that we draw from over sea duty-free food supplies, which are the secret of our workmen's well being, and the raw material, also duty-free, which we work up and send abroad as finished products. We are told that the bridge which unites us to the Colonies will be swept away unless we artificially divert this current. We must impose duties on food, he says; and that if this self-denying ordinance involves loss we must pay that price to retain our children's affection. Now I believe that the attachment of the Colonies is independent of these considerations, and furthermore, that if their feelings were bound up with

£ s. d. alone, they also would suffer with our impoverishment, and notably in the matter of imperial defence. It is the old fable over again of the stomach and the hands—you cannot starve the one without the other.

Now we Free Traders are just as ready to make sacrifices for the unity of the Empire as our opponents. Here let me say that I think it a misfortune that prominent politicians should attempt to prejudice the Colonies against Free Traders here by describing their opinions as “a wave of Little Englandism” and themselves as the “cut the painter party.” The prosperity of the Colonies is just as much to us as to our opponents, though we may differ as to the best way of promoting it.

Our trade abroad amounts to 880 millions, but three-quarters of it is outside British possessions, and only one-seventh with the self-governing Colonies. To tamper with the three-quarters in the hope of increasing to some extent the one-seventh would, to say the least, be a dangerous experiment—dangerous to the Mother Country, dangerous to the children.

For how could we satisfy the relative claims of the Colonies? How could we deal equally between them? Would not such questions be a disintegrating force? It would never do for us to favour one at the expense of others. A tax on corn, for instance, would greatly favour Canada.

Other parts of the Empire send us raw materials. Now to tax raw materials is recognised as exceedingly damaging to our trade, but is it not certain that India would claim protection for her cotton and New Zealand and South Africa for their wool ?

But we are told that by imposing retaliatory duties we should compel the foreigner to remove his barriers against us. But would this be the result ? It is to be feared that each side would raise their barriers higher and higher. When the "big revolvers" begin to go off, people get angry, and retaliation is apt to degenerate into a vendetta. But these barriers are chiefly on manufactured articles, of which we send more to them than they to us. We have heard something lately of wide wickets and narrow wickets, but this would be a match in which we consented to go in with wide wickets while we had to bowl at narrow ones. But supposing this policy was successful, and our foreign competitors were compelled to remove their duties on our manufactures, we must then presumably remove our own retaliatory duties. Where then would be the preference which we have promised to the Colonies ? We should have encouraged certain trades by our action which we could not maintain.

I suppose this is one of the things that he of the "open mind" proposes to inquire into. In the meanwhile the Prime Minister compares the present system to a balloon that has thrown away

all its sandbags. That has been done to enable it to rise. Mr. Balfour would weigh it down with more sandbags—the same sandbags which held it down two generations ago. Yet, strange to say, he was a party only two months ago to throwing out a very considerable sandbag, namely, the registration duty on corn. Can it be that the policy of sandbags has only been adopted by him since the Budget ?

It is a curious thing that while it was strongly urged that the *producer* paid the registration duty on corn, this 1s. per quarter has been within the last few days returned, on all unconsumed imported corn, *not to the producer*, but to the millers and others who had it in stock, *i.e. the consumer*. According to the Protectionists, this must have been an act of injustice ; but they did not protest.

Now the burden of proof clearly rests with those who have so suddenly attacked the settled policy of the nation of the last sixty years. What are the things which they should be called upon to prove ?

They have asserted, or some of them have done so, and they should be asked to prove, that taxes on food will not necessarily enhance the cost of living.

They have asserted, and should be asked to prove, that a rise of wages would follow on protective duties, sufficient to enable the workman to pay the increased cost of living.

They have asserted, and should be asked to prove, that the Colonies can produce the food now sent to us by foreign nations.

Unless they can prove all these things they have failed to make out even a *prima facie* case for tampering with freedom of trade.

Then what are the "new facts" of the case? One new fact is the supposed hostility of other nations and the growth of their navies, from which the inference is drawn that we should be independent of them as regards our food supply in view of the danger of a great war. I do not underrate the danger, but, in any case, the bulk of our food must come from over seas, and is not the fact that we draw great supplies from powerful nations in itself a hostage for peace? Another new fact which I am the last to minimise is that other nations, like Germany, and especially America, have been creeping up to us in the amount of manufactured exports. It is due to accumulating wealth in those countries. This is a form of bottled energy which inevitably seeks an outlet in trade. It leads to exports which undoubtedly threaten *some* trades here by under-selling, but the tide of commerce is bound to flow both ways. Unscientific people, when they see a river, say, "It flows on for ever, and is lost in the sea." If it did so, it would soon run dry. As a matter of fact, it inevitably returns to the mountains whence it came, in the form of rain, snow,

and mist. Trade is subject to the same law. It cannot flow all one way, and if one country seems to export more than it imports, it is because in the past the excess has been the other way, and a debt is owed. Our own exports have, concurrently with foreign exports, absolutely continued to increase. Now so far as these foreign exports are received by us, remember first that they largely consist of half manufactured goods which we further develop as finished products; and secondly that they must be answered by corresponding goods which we send away to them. Therefore if we hinder these imports we shall diminish the bulk of our own export trade.

But here is a "new fact" which certainly does not help the Protectionists. I refer to the wonderful *variety* of food which is now offered at rates cheap enough for the poor, such as imported cheese, butter, bacon, dried fruit, fresh fruit, and tinned food of every sort. I see "all things nice" selling from costers' barrows in the poorest streets. This is to a considerable extent a new development of the last thirty years, and some of these things are in such general consumption as to have become almost necessities. Can we grow them at the price if we depend on the Colonies alone?

Here is a new fact of another kind. Since the last wave of Protection the agricultural labourer has received the vote. I forget from which side,

and don't care. Is this one of the "facts" on which the new Protectionists rely? It is clear that they think they will successfully appeal to the agricultural classes with their proposed duties on food. Now the farm labourer spends a larger proportion of his income on food, perhaps, than any other class. Owing to the nature of his work he is blessed with a large appetite. His labour is severe, and his efficiency depends on a wholesome and plentiful meal. The Protectionists promise higher wages and old age pensions. Now let us examine each of these promises. What is there to show, even if agricultural produce commanded a higher price, that the landlord and farmer will not absorb this profit? I appeal to Mr. Chamberlain himself, who said in 1885 of the Protection times that "The condition of the farmer was never so hopeless, and the state of the labourer so abject, as when corn was kept up at a high value by a protective duty. The evidence shows that the state of agriculture was deplorable. The food of the people was taxed to raise the rent of the landlords. *None of the plunder found its way into the farmers' pockets.*" As regards higher wages, let me quote my friend Sir F. Carne Rasch, Conservative member for an agricultural county, who writes in the *Times* of June 30th:—"The Bill may possibly be sugared by old age pensions, but the labourers' reply is, in my opinion, hard to answer: 'We remember bread at 7d. and wages

at 7s., and we won't have it again. We know that bread will rise, and we don't know that wages will go up.' "

Now I am not so sure as Sir Carne that they WILL remember. The present generation certainly do not remember these times of stress. Let me then appeal to the past and refresh their memories. Here is a resolution dated December 3rd, 1845, and emanating from the agricultural county of Norfolk: "That this meeting deems it imperative on Her Majesty's Government to open the ports of the three Kingdoms without delay, for the admission, duty free, of all articles of food, lest the impending calamity of famine should be realised, with its attendant evils of increased pauperism and crime." And following on this a petition was presented to the House of Commons: "That the corn laws have proved to be the bane of agriculture, the source of bitter division among classes, the cause of penury, etc."

Then as to old age pensions. One object of the new plan is to raise sufficient revenue for this great purpose, which we all desire ; but if we are successful in promoting colonial at the expense of foreign trade, and just by so much as we are successful, the revenue raised by these imports would diminish. Could we afford to pledge ourselves on this great subject of pensions on such an uncertain basis ?

I have endeavoured in this preface to deal briefly with the recent conditions which have arisen, but the truth is that the main contentions of those who are leading this new crusade are essentially old, and the arguments by which they may be met are also old, and the result of long experience. Hence I may refer my readers to the body of this pamphlet.

In conclusion let me say that I have no party object to serve, and though this momentous issue is bound to fill the public eye almost to the exclusion of all others in the coming election, I admit that there are many convinced Free Traders on the Unionist side, and here and there some Protectionist Liberals.

E. N. BUXTON.

Knighton,

June 30th.

THE ABC OF FREE TRADE.

AN historian of our own time wrote, some years ago, "There is no more chance of reaction against Free Trade in England than there is of a reaction against the rule of three." This proves again the wisdom of the advice, "Don't prophesy unless you know." Once again the approach of a General Election has suggested the revival of old fallacies.

Many even now have not had the time or inclination to familiarise themselves with the facts and the arguments which satisfied our forefathers, and to probe the fallacies of Protection, whether exhibited in the guise of "Reciprocity," "Fair Trade," "Retaliation," or "Fiscal Reform." Thus it seems necessary again to furnish every enquirer with the reasons against a reaction which, if successful, would be full of misfortune for this country. It is not enough to be Free

Traders by tradition ; we must be Free Traders by conviction, and be able to give a reason for the faith that is in us. We cannot afford to rest on our oars.

I hope no one will turn aside because this pamphlet has an elementary title. No doubt I shall say things which some of you have heard before ; but my object is to speak to those whose lives are so busy that they have no time to read up a subject of this kind in books and lengthy treatises. Before entering on argumentative matter, however, I shall ask you to compare the old Protection days, and the state of things they produced, with the state of things we live under ; and I shall try to account for the reaction which has arisen in these latter days against Free Trade. I shall then seek to furnish you with a few leading principles, upon which, if you once grasp them, you may rely to save you from falling into the traps of those who would lead you astray ; after which I will deal with the allegations and proposals of the Neo-Protectionists.

Now, I ask you to consider the state of things that prevailed from 1815, when the most stringent Protection Act was passed, to 1846, when Protection was finally swept away. At that time scarcely an article in general use could be imported from abroad without paying a very heavy, and in some instances an almost prohibitive,

duty. The price of everything in common use was enhanced; and the cost of living was immensely greater than it is now. One result of this was that people were continually trying to evade the duties by smuggling. The Custom House machinery had to be kept up at great expense, but, notwithstanding this, smuggling still went on, because nobody thought it very wrong to defraud the revenue; and many a man was first tempted into crime in this way. Joseph Hume, on one occasion, showed his silk bandana handkerchief to the House of Commons, and said: "Here is an article absolutely prohibited by your tariffs; yet most of you have one in your pocket."

Then the importation of corn was absolutely prohibited till it reached the price of 8os. a quarter. That means about 1s. 6d. per quartern loaf; and if duties were imposed which raised the price of wheat to 8os. per quarter again, it would mean an annual tax of over forty millions a year on the people's bread. The scarcity of bread caused constant riots, and the House of Commons had on several occasions to be protected by soldiers.

To judge by the Poor Law returns, what is called "Protection to native industries" certainly failed to do at that time what you are told it would do now—find employment for the masses. In some towns nearly one-fifth of the population

were in receipt of poor relief, and everywhere great numbers were constantly out of work.

There were frequent depressions of trade of a most serious character, and, although these laws were maintained in the supposed interest of agriculture, agriculture suffered as much as any other business; and in the period of which I am speaking there were no less than five Royal Commissions to inquire into the causes of agricultural distress. Wages were far lower than now; and certainly those who tell you that Protection would increase your wages have yet to show why it did not do so formerly. Thus, to instance a few of the most important handicrafts: carpenters, bricklayers, and miners earn from 40 to over 50 per cent. higher wages than they did then, while weavers and men of several other trades are better paid than in the Protection days by more than 100 per cent., and agricultural labourers by 60 per cent.

It took a long time to eradicate the mistaken views held by many statesmen of that day. They had an idea that the one thing needful was to sell as much as possible to other nations, and to buy as little as possible from them. This is the old—a few weeks ago I should have written exploded—notion of having what is called “the balance of trade” in your favour—a notion which even now lingers with some people, and about which I shall have something to say presently.

The extraordinary thing is that the politicians who were in favour of Protection at that time, and, we may add, some of the present day, did not see that if Protection was a good thing for the country generally, it ought to be a good thing for a county, or even a parish. For instance, in former times a great deal of iron was made in Kent and Sussex. Now, why should they not have put a line of Custom Houses along the Thames, and imposed a heavy duty on iron coming from the North? Of course iron in those counties would be enormously dearer; but what of that? They would have "protected native industry."

But to return to our history. The change was not a sudden one, like a transformation scene, from the evils of Protection to the blessings of Free Trade. Far-seeing men for many years had pointed out the evil of corn laws. Statesmen had even tinkered at it, and had tried, by sliding scales and half-measures, to mitigate the mischief. Opinion was of very slow growth, but it was sure. The agitation against the Corn Laws is an excellent lesson to us who desire to avert their restoration. The leaders of the movement made but little way as long as they only tried to convert the House of Commons. When Cobden and Bright got the ear of the constituencies, they had plenty of powder behind them. The Anti-Corn League found out this secret in good time. The laws of which we are speaking could not stand the fierce light of

day which was cast upon them by the League. They first crumbled away, then cast off great masses, then came tumbling down, a complete ruin, never to be restored. But it was a long battle. The landowners fought to the death. They knew that the greater the quantity of corn, the less the price the corn-grower would get for it. Whenever an abundant harvest would have helped the people to prosperity, the monopolists cried out that they were in danger. Their interest was opposed to the interest of the people. The protected manufacturers went with them. Their principle was that if everybody paid more than was necessary for what they wanted, every one was richer all round. They played into one another's hands. They said in effect: "If you give me a little more than the market price for my corn, I can afford to pay more for your machinery and cloth." A similar compact seems to be reproduced in our own time, and it is again the landowners and manufacturers who are parties to it. In those days the League, or rather the truth which the League proclaimed, was too much for them, and Peel, who was appointed Minister in 1841 to uphold the Corn Laws, himself repealed them in 1846. As Mr. Bright said afterwards, "Famine itself, against which we had warred, joined us." By the time the Repeal year was reached the change could not have been long delayed, because the people had found out what

they wanted. But no doubt it was a series of bad harvests and famine years that finished the business, because it set men inquiring.

And now let us turn to the bright side, and examine into the results of this great reform. There is no sign so sure of continuous prosperity as a rapid increase of population, and there has been a great increase, averaging several millions every census. If things had been left as they were, if we had the same restrictive laws, if we had had to feed ten millions more people on the same quantity of food, we should all have been fighting among ourselves long ago. Instead of that, other countries have poured in the corn, the tea, the sugar, and all the other commodities that we chiefly require, in such quantities, and at so cheap a rate, that every man, woman, and child is able to consume four times as much per head as sixty years ago.

No doubt along with this prosperity there is much misery, but far less than there was in the Protection time. Notwithstanding the great increase of population, there are fewer paupers. There is far less crime. There were 34,000 convictions in 1840; in 1901 there were only 11,000. You will agree with me that saving habits in the people is a thing worth encouraging; and also that if you find people learning to save it is a sign that they are tolerably well off. The deposits in Savings Banks have risen from £24,000,000 to

nearly eight times as much. Our National credit, as measured by the value of our public securities, stands as high, or higher, than that of our rivals, so that those who deal in our National Securities do not seem to have lost faith in the old country. Some people will tell you that all this is owing to steam and electricity. Steam and electricity have done much for us ; but other countries have had these advantages, and we do not find that they can show the same signs of general prosperity spreading to all ranks, even the lowest, as England. People point to Germany and the United States ; but you will find that, when they beat us, it is because of natural resources or superior education.

America, owing to her boundless resources, to the limitless extent of new land ready to be occupied almost for the asking, to the streams of able-bodied labourers who are poured into her borders from this side of the Atlantic, to her small standing army, to her varied mineral wealth, and the genius of her people, cannot but make great strides. But it is in spite of Protection, not in consequence of it. Then you must always remember that she enjoys absolute Free Trade throughout her vast dominions, and that is almost as if all the countries of Europe enjoyed Free Trade among themselves.

So far we have seen that during the Protectionist period England was far poorer and

suffered far more from depressed trade than she has ever done since. After changing her policy she has advanced greatly in wealth and prosperity; and though there have been seasons of depression, each wave of good times has mounted higher than the last. The progress has been continuous. It is also a fact that while other nations have made progress, they have not, until recently, done so in the same proportion as we have.

Before proceeding to discuss the allegations of the Protectionists, I want you to take in one or two simple propositions which must be grasped before the rights of the question are understood. Without them you are lost; but these once mastered, you can defy and demolish the arguments of the Protectionists. No doubt these propositions are familiar to most of those who have thought out the matter, but I do not apologise for repeating them, because my business is not to convince those who are already convinced, but to assist those who are examining this matter for the first time.

The first proposition is that all goods bought from other countries are paid for, not with gold, but by other goods which are sent back to them.

The second is that duties on goods are paid for by the people who consume those goods, and not by the people who produce them—by the importing, not by the exporting country.

The first proposition is easily proved. The fallacy we have to get rid of is this—that all commodities are paid for in gold, and if you can only get in more gold than you pay out you must get richer. But the truth is, that the goods we buy from other countries are paid for, not in gold, but in goods that we send to those countries. An account is kept of all the bullion that passes from one country to another, which, as a matter of fact, is quite insignificant in amount. In the case of the enormous indemnity which France paid to Germany, hardly any specie was transferred. Again, in the years 1871, 1872, and 1873, we lent to other countries about 400 millions, but during that period not only did no gold leave the country, but the balance was slightly the other way; and if you think a moment this result must always ensue. We keep just as much of the precious metals as we require for currency and for ornamental purposes, and no more. A very small withdrawal of gold from the currency of the country raises the rate of interest, and this at once tempts back what has gone out.

It follows that the export of goods is paid for by the import of goods. If it were not so, consider what would happen. Suppose we were able to export largely and import nothing, and were to be paid in gold, there would presently be too much gold. It would accumulate in the banks; the rate of discount would consequently

fall, and foreigners would come to our bankers to borrow money, and the gold would leave the country again. Thus, goods that you buy *must* be paid for by goods that you sell, and if you limit your imports by imposing duties, you limit your exports as well. All trade is barter. If you sell your goods, and with the money buy other goods, you in effect exchange your own goods for those you want.

No doubt some one may say, "How is it then that some nations import much more than they export, and that the contrary is the case elsewhere?" The answer is that if a country exports more than it imports it is because it has previously borrowed from other countries, and has to repay the debt, or the interest on the debt, in goods. In the same way, if a country imports more than it exports, like England, it is partly because other countries stand indebted to it, and partly for other reasons which I will presently explain. If it were the case that the difference is paid for in gold, we in England should have to pay out more than 100 millions a year, and we should very soon get to the end of every scrap we have got either in circulation or in use; so that you could not do it even if you sacrificed every sovereign and wedding-ring and silver thimble in existence. Now I hope you realise that goods are paid for, not with gold, but with other goods.

The second fallacy that we have to get rid of

is this—that if we impose duties on any article from abroad, the people who send us the article will pay the duty and not we. This has been strongly maintained in the recent discussions on the registration duty on corn. One would think that we need only appeal to the universal experience of commercial men to refute this. It is always the case that if a country imposes a duty, the price of the article on which the duty is imposed is to that extent, at least, enhanced, unless there is some other cause acting at the same time to cheapen it. But let us prove it by taking a simple case. Supposing there is some article which is produced here and sells in our markets for £20 a ton. It is made at a fair profit, because competition between manufacturers prevents anyone making an excessive profit. Now suppose that some other country imports from us some of that article, and puts on a duty of £5 a ton. Do you think that that article will still sell in the other country for £20? Certainly not. The duty will be added to the cost there, because competition is such that the manufacturer here already takes as little as he can afford, and if he took less he would make no profit, but a loss. I remember noticing the following paragraph:—“A new trade has sprung up between Scotland and America—that of ‘Champion’ potatoes. These are shipped at Aberdeen at 36s. a ton. They are subject to a duty of £1 per ton, and are expected to realise £4

to £4 10s. in New York." But if the Protectionists are right, this last anticipation would not be fulfilled. According to them, the shipper on this side would, in some mysterious way, have to pay the £1 duty out of his 36s. If that be so, the "Champions" would be amazingly cheap. Then, again, why is the price of wheat some 12s. or 13s. higher per quarter in France than in England? This would be surprising if there were not an import duty in the former country of 12s. 2½d. If that instance does not satisfy you, what do you say to those articles of which there are some exported from this country to America which have to pay a duty there of 100 per cent.? In that case the merchants on this side of the water must absolutely give away the goods, according to the theory of the Protectionists. John Bull, we know, is a long-suffering and generous person, but he is not quite so meek as that.

Now I hope you have taken hold of those two prime articles of faith. Armed with them, let us go forth and do battle with the revived Protectionists. Let us examine fairly, without prejudice, the allegations which were familiar to our grandfathers, were reproduced in the great depression of the seventies, and are now rubbed up to look new.

First and foremost, it is said that our imports largely exceed our exports—which is quite true. But it is not true to go on and say that we are

therefore wasting our substance, and living on our capital, like a spendthrift who is spending more than he gets in. In the first place, it is a great mistake to suppose that all this heap of imports is spent and consumed and wasted. On the contrary, it represents, as Dr. Johnson said, "a boundless potentiality of wealth." A very large part of it is raw material, which is worked up here into manufactured articles, and goes abroad again at a vastly increased value. Cotton, for instance, comes here in the rough and leaves us again at, weight for weight, hundreds of times the value; and in the meanwhile our workmen, who are creating the wealth, are fed and clothed out of these imports which frighten some people so much.

People who tell you that we are buying more than we sell, and therefore must be getting poorer, evidently have got hold of the notion, which I have already shown you to be a mistaken one, that commodities are paid for in gold. They fancy that because we import goods to the value of 180 millions a year more than we export, this 180 millions leaves the country in the shape of gold; but so far from this being the case, on an average of years, rather more bullion comes into the country than goes out of it. Let us then examine why it is that we take from the foreigner so much more merchandise than we send him, and whether this is a sign of im-

poverishment or wealth. Upon this hinges the whole question between us and the Protectionists, and if you master this you have mastered the most difficult part of the problem. The Protectionists say that because we buy of the foreigner 528 million pounds' worth of goods, and sell him only 349 millions' worth, the balance is so much loss to us and gain to the foreigner. The Free Trader, on the other hand, says it is not a question of buying and selling at all, but of exchange; and if we get in four or five pounds' worth for every three we send out, that shows we are doing a profitable business. And it is this question of profit which accounts for a large part of the excess of imports. If a merchant sent abroad goods worth a given sum to him, and got back in exchange goods worth only the same amount, it is clear that he would have made, not only no profit, but a dead loss, because he would have had to pay for freight and insurance. Take an instance close at home. Corn-dealers sometimes do a little trade in artificial manures. Suppose a corn-dealer at Romford to purchase twenty quarters of wheat at home for £30. He sends it to London, and sells it for £35. With the money he purchases artificial manure, which he brings home and sells for £40 in Romford. His import into Romford would exceed his export by £10, and yet it would not be an unprofitable transaction. It would be

very unprofitable indeed if his imports only balanced his exports. But now suppose he employs a fellow-townsmen to do his carting for him at so much a load. Whatever this might amount to, by so much would the town of Romford be the richer. And this brings me to the second item which accounts for the difference between exports and imports—that of Freight and Insurance. Owing to the great advantage which Free Trade gives us, of the total ocean-carried trade of the world about one-half is carried in British ships. It has been calculated that about 65 millions a year is earned in this way by England. This is not included in the exports, but is included in the imports. So here we have another heavy item to account for the difference of the two, and the greater part of it goes to add to the wealth of the country. But then there is another item more important still, which represents the indebtedness of other nations to us. The annual interest on this indebtedness was calculated in 1886 at about £50,000,000, while Sir Robert Giffen puts it now at over £90,000,000. British investments abroad between 1875 and 1885 were reckoned at about £30,000,000 per year, and since Great Britain is still investing capital in other countries, it has been calculated that the interest receivable on these investments abroad now amounts to over £100,000,000 per annum. Whatever fresh investment abroad we

may make in any year should be deducted from this, and the balance comes to us, not in cash, but in the form of goods. Here we have, then, three items quite big enough to more than account for the difference between our exports and imports.

Now let us look at it from another point of view. If the contention of the Protectionists, that we are living on our capital, and that this excess of imports means wasting our substance, is true, how is it that we have not long ago been ruined? If you take the last twenty years, you will find that this excess of imports amounts to no less a sum than 2,500 millions. If it is true that this is so much loss to the country, we must long ago have been bankrupt. This fact alone is enough to refute and reduce to an absurdity the notion that these balances are paid for in gold; but, as a matter of fact, during these twenty years we have imported rather more specie than we sent out—a sum amounting on an average to over three millions a year. Does anyone suppose that we owe this enormous amount to foreign nations? On the contrary, during the sixty years following the establishment of Free Trade, it is estimated that we have increased our investments abroad by at least 1,500 millions. According to the reports of the Inland Revenue Commissioners, the annual interest and profits receivable from abroad, and subject to income-

tax, continue to increase. So far, then, is it from being true that we are growing poorer, owing to the excess of imports over exports, it is demonstrable that we have grown richer while it has been going on. And the great increase of our investments abroad has not been made by drawing upon our wealth at home. On the contrary, while it has been going on, our wealth has been largely increasing. If you doubt this, look at the Income Tax returns.

And now, if you want further confirmation of what I have stated, that the excess of imports is to a large extent due to accumulated wealth, look at other nations whose position is the reverse of ours, and who export more than they import, and you will invariably find that it is the nations who have been heavy borrowers in the past—who are in this position.

There is one very instructive instance of a country which for a time exported more than it imported, and has since reversed the process. That country is France, and the period when its exports were in excess—a state of things that the Protectionists tell you is a sign of such prosperity—was in the four years immediately following the Franco-German War, and it was caused by the enormous indemnity which France had to pay out to Germany. Thus, if our Protectionist friends want to stop our excess of imports, all they have got to do is to engage in a good

long European war. Then they must take care to get well beaten, and saddled with the payment of 200 or 300 millions indemnity, and you will have the result at once.

Another contention of the Protectionists is that to put duties on our imports would be to multiply industries at home, and increase the rate of wages. The direct contrary is the fact ; and if it were not so, how is it that wages are at least 50 per cent. higher than they were sixty years ago ? It is perfectly true that wages in Protectionist America are higher than they are here, but then it is also true that wages in Protectionist France are lower than they are here ; and it is a curious fact that, while our opponents sometimes appeal to America as showing what Protection does for wages, they not less frequently appeal to the low wages in France, and call out for Protection against the competition which is caused by the low wages and long hours of labour in that country. They cannot use both arguments ; one must be wrong. The fact is, that the rate of wages is chiefly governed by supply and demand, and in a new country, where labour is scarce and commerce active, whether it is Free Trade or Protectionist, wages will rule high. At the same time, other things being equal, wages will rule higher in a Free Trade country than in a Protected one, because Free Trade promotes commerce, and commerce creates a demand for labour

which raises the price. But then, our opponents say, Protection fosters fresh industries which would not otherwise have existed, and therefore improves trade. It may foster fresh industries; but if it does, it is at the expense of other industries which need no fostering. What it does is not to create additional work, but to divert capital from work that is naturally profitable to work that is not profitable, and which can only be made so by artificial means. What we should aim at is division of labour—to sell as much as we possibly can of the things which we can make cheapest and best, and that will enable us to buy the equivalent of things which the foreigner can make cheapest and best. If we take the opposite advice, and foster protected industries, it is as if a skilled artisan, earning high wages, were to say to himself, “Why should I buy all the goods I want for the use of my family? Why should I not grind my own corn, and bake it; and make my own boots and coats, and my wife’s dresses?” The effect of such a policy would be to divert the greater part of his time from what paid him well to what paid him badly, and his commodities would be badly made into the bargain. This would be “protecting native industry” with a vengeance; but though it may be thought an extreme case, it is a fair illustration of what happens when the same thing is done on a large scale.

But to return to the question of wages. I do not for a moment contend that there may not be a heavy fall in wages during periods of depression in Free Trade countries as well as in Protectionist countries; but Free Trade will enable us to bear the fall in a way which would not have been the case if it had not been for the access which it gave us to cheap food. Even during depressed periods pauperism has steadily diminished, emigration has steadily diminished, crime has steadily diminished, and the Excise returns have steadily increased. The fact is, the well-being of the people depends, not only on the absolute amount of the wages they earn, but also on the purchasing power of those wages. Almost every important article used by working-men is cheaper than it used to be. Thus, to take an example or two: bread was sixty years ago 1s. 2d. per 4 lb. loaf, to-day it is 4½d.; sugar, then 8d. a lb., is now 2d.; calico, then 6d. a yard, is now 3d. In consequence of this cheapness, far more of articles of common use is consumed by them. Thus, the consumption of sugar is nearly five times as much per head as it was sixty years ago. You will find the consumption of tea to have increased in much the same proportion.

This complaint about the fall of wages being due to Free Trade does not often come from working men. The Trades Unions, which may be taken to represent the opinion of the working

classes, emphatically repudiate these revived and dangerous doctrines.

Another allegation of the Protectionists is that we have been driven out of the neutral markets of the world. It is true that other countries have advanced as well as ours, and it would be absurd to expect a monopoly of the world's markets, but we still retain a great and, for our population, a wonderful share. Our Protectionist rivals, America and Germany, have made great progress, and we do not grudge it to them, for the richer they are the more they can take from us and send to us ; and yet while Germany, with 57,000,000 people, has a total external trade of £500,000,000 ; America, with 76,000,000 people, has a total trade of £476,000,000 ; and Great Britain and Ireland, with 42,000,000 people, have a trade of £800,000,000—more than twice as much per head as that of the United States. If you look at our exports alone, they tell the same story. In spite of Protection, we send to nearly every country in the world more goods than any other nation does. So that the allegation that we are beaten is not even true in protected countries, still less is it true in neutral markets. Wherever we meet other sellers on fair and equal terms, there is no comparison at all between us ; we are far away ahead. Throughout the continents of Asia, Africa, and Australia, other countries are far behind us.

If it were true that other countries could beat

us in neutral markets, they could also beat us here at home. But that certainly is not the case. We import comparatively few manufactures from other countries, and when people tell you our home market is flooded with foreign manufactures it is, to say the least, an exaggeration. What we do import is chiefly food, and the raw material which we work up into finished manufactures and sell again at a great profit. More than four-fifths of our imports consists of these, and less than one-fifth of manufactures; but when you look at what we send abroad, you find that 80 per cent. of that consists of manufactured articles. And these wonderful results are no miracle; they are the direct consequence of the fact that commodities are cheaper here than they are elsewhere. Our workers carry on the competition in the best possible conditions. They are fed, and clothed, and housed at the lowest rate, and far better than elsewhere. Thus they can produce more cheaply, and they can afford to a great extent to undersell the Protectionists in Protectionist countries—even with goods which are taxed to the extent of 50 per cent. No doubt the competition has grown keener of recent years because other countries have accumulated capital, in piping times of peace, as well as we, and this capital seeks outlets; but that is not a reason, nor is this the moment, to handicap our workers in the race.

I do not think I need dwell very long, after what I have already said, on the next allegation of the new school of Protectionists, that "one-sided Free Trade is bad for this country." A more straightforward way of putting the complaint would be to say, "'No bread' is better than 'half a loaf.'" It is founded on the fallacy that we buy what we want as a favour to other countries; whereas the truth is we buy these things because we want them, and because we must, from the nature of things, receive them in payment for the huge total of goods which we send abroad, for the ocean-carrying which we do for other nations as well as ourselves, and, lastly, in payment of interest on the enormous debt which other countries have contracted to this country.

I now come to the remedies which are proposed by the Protectionists for the state of things of which they complain. They suggest that we should have, not mutual Free Trade, but preferential dealing with the Colonies, and a tariff war against the foreigner. We are to put duties on the goods we import from them, in the hope that they will take off the duties they impose on ours; that is to say, we are to injure ourselves at the same time that we injure them, in the hope that they will abandon their policy, which we know injures both them and us. We are to become Protectionists in the hope of persuading

them to become Free Traders. We might just as well say to the Jews, "Unless you will embrace our faith we will adopt yours and become Jews." Would not foreigners at once say, "You seem to have very little belief in your own principles. Either Free Trade is a good thing or a bad thing. If it is good, why do you abandon it? If it is bad, why do you ask us to adopt it?" The course they would probably take would be to retaliate still further upon us; and here we encounter the chief difficulty in the way of Retaliation. Foreigners could retaliate with more effect against us than we can against them, because our imports of their manufactures are less than their imports of ours. I will go into that matter presently, but in the meanwhile I want you to consider what the effect would be upon ourselves. Whether other countries increase their duties against us or not, there is no doubt about the effect which taxing our imports would have on our own trade. It would at once diminish those imports, and it follows that our exports would diminish also, because they pay for one another. If we limit our purchases from other countries, we also limit their power of purchasing from us. The country would be impoverished by the reduction of our foreign trade; and at the same time the prices of commodities would be raised at home.

Well, then, I want to know whether we are to levy these duties against all other countries alike,

or are we to single out particular countries, and tax their commodities only ? If we are going to treat all alike, that will be making no distinction between those who treat us well and those who treat us badly ; so that is out of the question. If, on the other hand, you are going to pick out the countries that tax our goods, there is this practical difficulty. What security have you that the country against which you raise the barrier would not evade it by sending their goods through another country against which it does not exist ? For instance, if we put a duty on French silks, what is to prevent their being sent here through Belgium ?

Then, again, these measures of Retaliation—are they to be permanent, or temporary ? If they do not have the desired effect of coercing other countries—which they might not—are we to advance further on the downward path, or to recede ? Assuming that we are going to begin by taxing food only, we should probably be unable to help going further, because manufacturers would soon tire of paying the increased wages which would be demanded to meet the increased cost of living, and would call out for Protection for the articles they themselves produce. But supposing, as the more reasonable Protectionists would no doubt say, it is intended to be a temporary measure, you would for a few years have diverted capital into trades which could not stand alone, and then,

having fostered them in this way, have left them in the lurch. The effect of that would be ruin and disaster to those whom you had tempted out of other branches of trade, where they needed no such bolstering.

Thus it is probable that protective duties on manufactures will be the handmaid of a tax on food; but they will not always appear on the same stage. Judging by past experience, it will be one thing in one place and another thing in another. The Protectionist candidate who stands for a county goes in boldly for a duty on corn, to please the agriculturists; but this would never do in the towns, where people eat bread but do not grow it; so another candidate in that case tries to please the manufacturers. But the followers of Mr. Chamberlain consist of both these classes, and have therefore to adopt a policy combining both programmes. No doubt what the manufacturers would like best would be duties on manufactured goods; but they see the hopelessness of proposing this without allies, so they hold out a tempting bait to the agriculturists to join them, and go in with a light heart for a duty on food as well.

Let us, then, examine what the effect of these two proposals would be. A duty on manufactures is a very dangerous weapon for us to use, and more likely to explode backwards than forwards, for our manufactures are that part

of our trade in which we are most vulnerable. Our exports of manufactures to foreign nations are larger than our imports of manufactures from them. It must further be remembered that in practice the total of imports of manufactures from foreign countries would have to be largely reduced, as it includes many items which practically could not be taxed, because, though nominally manufactures, they must be regarded as raw materials, as they are further worked up here. So you see that if we once begin the game of Retaliation there is no doubt which side can hit hardest. If I were to fight a duel with a small man, it is clear that he would have an advantage over me, because he would have so much more to shoot at.

True, it is sometimes said, "But why not put a tax on luxuries?" Only the worst of it is the doctors differ as to what are luxuries. For instance, a leading agriculturist defined luxuries upon which he would put duties as "beef, mutton, and the crops." I don't know whether he would go so far as to say that, being luxuries, working men could very well do without them. But we may fairly suppose that such things as silk and wine are the luxuries intended. There is, of course, far less objection to this than to some of the other proposals, and, as a brewer, I ought rather to encourage the tax on light wine being increased; but there is an objection even to this proposal.

For every pound's worth of silk and wine that we import we must export somewhere a corresponding value of goods ; and if you limit our import you limit our export as well. Our total of trade is thereby diminished, and someone here in England earns less.

Then as to the proposal for duties on food. Some assert that such a duty would be paid, not by the people who buy the corn, but by those who sell it to us on the other side of the Atlantic. That is to say, that if we put on a 5s. duty, corn will not be any dearer here, but growers will accept 5s. a quarter less in America. But if that were possible, they would prefer to sell it at the market price at home. It is not to be supposed that growers who send their corn here would continue to do so for benevolent motives when they could get 5s. a quarter more, if that were the amount of the duty, by selling it for home consumption. But perhaps it will be even asserted that the effect would be to cheapen all corn in the United States by 5s., whether consumed there or exported. How very grateful the Americans would be to us ! But not for long. Every grower of corn cultivates that crop because it pays him better than any other. To some, no doubt, it pays much better ; to others the difference is slight—1s., 2s., 3s., as the case may be. To knock down the price 5s. would thus at once destroy the profit of growing

corn over a large area. If this impossible reduction in price were effected, other crops would be substituted, or, in the case of the distant West, where the farmers are handicapped by long railway carriage, land might go out of cultivation. The supply of corn would be diminished, and the price would rise at least to its former level in America ; and as the duty must be paid by someone, it must come out of the consumers' pockets.

Let us examine the suggestion that we should, while putting this duty on American-grown corn, accept it free from our North American Colonies, and the effect of this measure on the price. If Canada cannot at present compete with the United States in the price they can afford to take for their corn, it is because it costs them more to grow it and transport it ; so in this case again we should have to pay the higher price. What other inducement, except an enhanced price, can be offered to Canadians to cultivate a larger area of wheat ? Then, what is to prevent the Americans sending their corn through Canada, and so avoiding the duty ? The Canadians, it is true, might also impose the duty, as against their neighbours, but would they be prepared to bear the enormous cost of Custom Houses to prevent smuggling over the thousands of miles of land frontier ? Besides, it is assumed that we are to make these conces-

sions to Canada in return for free access to her ports ; but is it proved that the Canadians would be willing to grant this ?

But do the Neo-Protectionists really think that duties would not have the effect of increasing the price ? If they are of this opinion, why do they object to taxing raw materials ? If it is true that the exporters pay the duty in one case, it must be true in the other.

To most people, at any rate, it is clearer than day that if you impose a duty on food at all it will have the effect of enhancing its price here ; and, once convinced of that fact, no level-headed Englishman, unless blinded by a great name, would propose it.

I have tried to compress into a few pages the leading arguments of the case against a rash meddling with the freedom of importation which we enjoy, and if the wage-earners, who are the great consumers, will take the trouble to think out these simple propositions, I have no fear of their verdict. It will be an emphatic determination that the comfort of their homes, and the well-being of all Englishmen, shall not be lightly sacrificed to the exigencies of a cry, hastily adopted and ill-digested.

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